

# Commodity Price Movements in 1936.

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**C**HANGES in the general level of wholesale prices during the first 10 months of 1936 were influenced mostly by the fluctuations of agricultural prices, with nonagricultural prices moving approximately horizontally. Agricultural prices, after having risen sharply as a result of the 1934 drought, moved lower during the first 4½ months of 1936 on prospects for increased supplies. When the 1936 trans-Mississippi drought began to appear serious, however, agricultural prices turned up sharply and carried the general price average with them. The rapid rise during the summer was succeeded by a lull in September and October, but immediately following the November election there was a sharp upward movement of most agricultural prices at the same time that a marked rise in nonagricultural products was experienced. The net result of these divergent movements was a 1-percent increase in the 1936 annual average of the Bureau of Labor Statistics index of 784 wholesale price series, though the December 1936 index was 4 percent above that for December 1935. The year closed with most prices advancing above levels already higher than those of a year earlier.

In other words, United States wholesale commodity prices advanced for the fourth consecutive year but the net gain in 1936, measured by annual averages, was relatively small. The sharpest rebound from the depression occurred during the first year of recovery, after the banking panic of March 1933, and while the new legislative program respecting money (gold), agriculture, and industry was being formulated and put into effect. The price advance was substantial but at a diminishing rate each subsequent year, as is indicated by the accompanying summary table.

Table 1.—Changes in the Bureau of Labor Statistics Wholesale Price Index, 1929-36

(1925=100)							
Item	1929	1931	1932	1933	1934	1935	1936
Annual index.....	84.4	73.9	64.3	66.9	74.9	80.0	80.8
Percentage change from preceding year.....	-9.3	-14.5	-11.2	+1.7	+12.7	+6.8	+1.0
December index.....	79.6	68.6	62.0	70.8	78.9	80.9	84.2
Percentage change from preceding December.....	-14.7	-15.8	-8.6	+13.1	+9.0	+2.2	+4.1

Source: Index numbers from the U. S. Department of Labor.

## Principal Price Changes.

In the 12 months ending in December 1936, prices of raw materials and semimanufactures both advanced about 10 percent, while those of finished products advanced less than 1 percent. The annual index for finished products was 0.2 percent lower for 1936 than for 1935. In other words, the price indexes of the two economic classes which fell most rapidly from 1929

to 1933 also rose most rapidly during 1936 as they did in the preceding 3 years. (See fig. 1.)

The annual index of food prices was 1.9 percent lower for 1936 than for 1935, but the index of farm products was 2.7 percent and the index of prices of all commodities other than farm products and foods was 2.2 per-

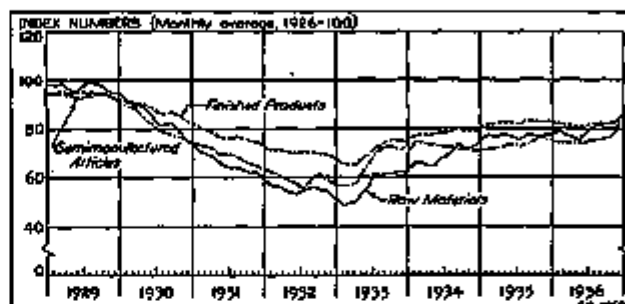


Figure 1.—Wholesale Prices by Economic Classes, 1929-36 (United States Department of Labor).

cent above the corresponding annual indexes for 1935. If the December indexes instead of annual averages are compared, it is seen that from December 1935 to December 1936 wholesale food prices declined 0.2 percent, whereas prices of farm products advanced 13 percent and the "all other" index advanced 4.4 percent. (See fig. 2 and table 2.)

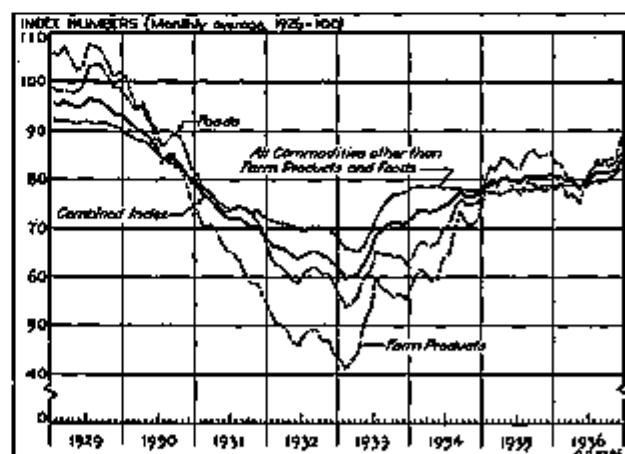


Figure 2.—Wholesale Prices of Farm Products, Foods, and Other Commodities, 1929-36 (United States Department of Labor).

Thus, though the Bureau of Labor Statistics combined index advanced 4 percent from December 1935 to December 1936, this was mostly because of the rise in prices of farm products which started with the drought; there was a moderate decline in wholesale food prices during this interval. Price advances of basic raw materials and semimanufactures, other than foods and farm products, played an important role in

the general advance, however, particularly during June, July, November, and December.

Prices of the principal grains performed spectacularly during 1936, most of them rising very rapidly through June, July, August, and December, though corn declined in December. The Bureau of Labor Statistics annual index of grain prices was 7 percent higher for 1936 than for 1935, 124 percent higher than for 1932, but 9.3 percent lower than for 1929. Comparing monthly averages, the December 1936 index for grains was 42 percent higher than the December 1935 figure, 12 percent higher than that for December 1929, and 244 percent higher than that for December 1932. Prices of steers declined irregularly till the last of August and then moved upward for the rest of the year, beef prices showing similar but less extreme movements. Prices of hides also made sharp gains during the latter half of the year. Prices of hogs, on the other hand, showed little net gain from January to December, pork declined slightly but lard advanced substantially during July, August, and December. Wool, steel scrap, copper, lead, zinc, tin, rubber, cocoa, and coffee were among the other important commodities which had substantial to large net price advances during 1936, most of the rise in a number of these items taking place in November and December.

Wholesale prices of relatively few of the most important commodities were lower at the end of 1936

than at the beginning of the year. Among these were some livestock and poultry items and their products; also coal, burlap, and shoes, though the net price declines in some cases were small.

Table 3 enables the reader to see at a glance which important individual, class, and group price indexes were above and which were below the combined index of the Bureau of Labor Statistics in 1936 and also where each stood with relation to its position in 1926. Inasmuch as the annual average for 1936 was 80.8, it will be seen that the prices of print cloth and the other commodities listed in the last section of table 3 were not up to the average, while prices of the commodities listed above were higher than the general average. If December indexes (last column) are compared with the combined index of 84.2 for December 1936, it will be seen that many relative positions were different from those in the preceding (annual index) column and also that most price indexes for 1936 were higher at the end of the year than for the average of the year. Moreover, no group or class index shown in the table was as high in 1936 as was the 1926 average, though among the individual commodity indexes, barley, corn, and steel scrap averaged higher in 1936 than in 1926. These three commodities and eight other commodities listed were priced higher in December 1936 than in 1926 (annual basis).

Table 3.—Percentage Changes in Wholesale Price Indexes and Other Price Indexes

Item	Annual averages of 1936 compared with those for—			Monthly averages for December 1936 compared with those for—					
	1929	1932	1935	December 1929	1929 high		1932 or 1935 low		December 1936
					Month	Percent	Month	Percent	
WHOLESALE PRICE INDEXES (U. S. DEPARTMENT OF LABOR)									
Combined index (784 commodities or price series).	-15.2	+24.7	+1.0	-0.8	July.....	-12.8	February 1933.....	+40.8	+4.8
Economic classes:									
Finished products.....	-13.2	+16.6	-2	-0.6	do.....	-12.4	February, March, and April 1933.....	+27.5	+1.8
Raw materials.....	-18.1	+45.0	+3.0	-0.9	August.....	-18.7	February 1933.....	+78.9	+10.2
Semimanufactured articles.....	-10.2	+28.9	+3.1	-10.0	March.....	-14.4	July 1932.....	+48.3	+0.6
Farm products, foods, etc. <sup>2</sup>									
Farm products.....	-22.9	+67.3	+2.7	-13.3	July.....	-17.8	February 1933.....	+116.4	+13.0
Grains.....	-9.4	+124.1	+7.0	+11.8	do.....	+8.7	December 1932.....	+242.8	+12.3
Foods.....	-17.8	+85.6	-1.9	-13.4	August.....	-17.4	February 1933.....	+68.2	-2
Meats.....	-16.6	+50.9	-7.1	-16.6	July.....	-25.3	December 1933.....	+89.8	-10.6
Other than farm products and foods.....	-13.1	+13.4	+2.2	-9.2	January.....	-11.8	April 1933.....	+26.9	+4.4
Groups: <sup>3</sup>									
Building materials.....	-0.1	+21.4	+1.0	-2.2	March.....	-7.6	August 1932.....	+28.0	+3.7
Chemicals and drugs.....	-14.7	+9.4	-1	-8.8	February.....	-10.8	March 1933.....	+10.8	+5.5
Fuel and lighting.....	-8.2	+8.4	+3.7	-8.0	June.....	-8.6	May 1933.....	+20.7	+2.0
Hides and leather.....	-12.9	+30.9	+0.5	-7.1	January.....	-12.1	February 1933.....	+60.0	+3.6
House-furnishing goods.....	-13.4	+8.6	+1.4	-12.2	October and December.....	-12.2	April 1933.....	+10.4	+2.3
Metals and metal products.....	-13.4	+8.6	+7	-9.0	March and April.....	-12.4	do.....	+30.5	+8.2
Textile products.....	-20.9	+30.2	+3	-13.1	January.....	-17.6	February 1933.....	+69.0	+4.7
Miscellaneous.....	-14.7	+9.6	+3.2	-9.4	October.....	-10.6	April 1933.....	+28.0	+10.4
OTHER PRICE INDEXES									
Cost of living (National Industrial Conference Board).	-15.3	+4.9	+2.7	-14.2	October.....	-14.9	April 1933.....	+20.1	+2.6
Prices received by farmers (U. S. Department of Agriculture).	-25.0	+75.4	+2.6	-14.3	August.....	-17.1	February and March 1933.....	+129.1	+14.5
Retail foods (U. S. Department of Labor).	-21.0	+20.2	+2.1	-21.0	do.....	-23.3	March 1933.....	+32.0	+1.1
Retail prices <sup>4</sup> (Fairchild Publications).	-24.2	+17.1	+2.7	-21.0	October.....	-23.6	April 1933.....	+32.1	+4.6

<sup>1</sup> Each group constitutes the 754 commodities or price series.

<sup>2</sup> Figures include infants' wear, men's and women's apparel, piece goods, and home furnishings.

<sup>3</sup> Annual average 1936 compared with average of 2 months, October and December 1929.

<sup>4</sup> Data available for October and December only.

## Prices of Farm Products.

Note that table 3 reveals that the index of the wholesale prices of farm products in 1936 averaged 80.9, as compared with 80.8 for the combined index for all commodities. Thus, compared with the 1926 levels, prices of farm products were at a parity, or slightly above parity. Furthermore, it may be noted that the ratio of prices received to prices paid by farmers, according to the indexes of the United States Department of Agriculture, stood January 1937 at 102 or 2 percent above the pre-war relationship. From this it is seen that the objective of agricultural price parity sought by the Agricultural Adjustment Act was achieved by the beginning of the current year.

## Cost of Living.

Cost-of-living trends from 1929 through 1936 are shown in figure 3. Most of the constituents of the Bureau of Labor Statistics' index advanced during the year; the average of all items was 1.4 percent higher in December than in January. Fuel and light declined slightly; the "miscellaneous" item remained practically stationary. Though rents advanced substantially, the rise in the Bureau of Labor Statistics' index from the depression low has been very small indeed as compared with the advances in most other constituents of the index.

## Influences Affecting Domestic Prices.

The outstanding domestic influences affecting prices generally in 1936 were: The rising tide of recovery, the second severe drought in 3 years, easy money and credit

conditions, Government expenditures—including the the prepayment of the World War veterans' adjusted compensation certificates and foreign demands for raw materials and other products, partly attributable to military preparations. These influences are not independent and capable of a satisfactory separate analysis, rather they are very complex and inseparable and defy

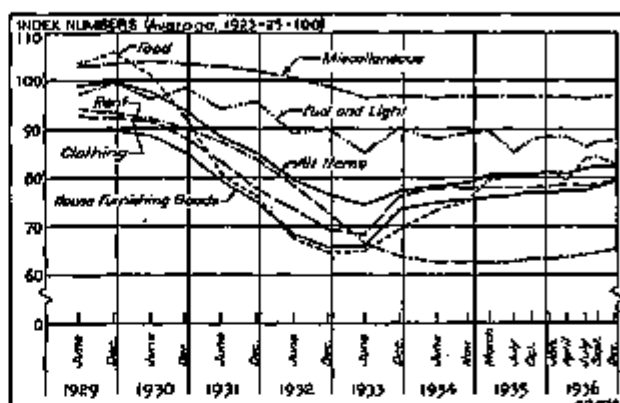


Figure 3.—Indexes of the Cost of Goods Purchased by Wage Earners and Lower-Salaried Workers, 1929-36 (United States Department of Labor)  
NOTE.—Data represents an average for 22 large cities for all items except the food index which represents an average of 61 cities.

exact analysis of their several effects. Perhaps most significant, however, is the fact that economic recovery like economic decline tends to be cumulative in its effects. The cycle of increased employment, larger pay rolls, and distributions of dividends increase the national income and purchasing power, hence the demand for more goods and services, more labor at higher

Table 3.—Wholesale Price Indexes of Commodities by Economic Classes, Groups, and Important Individual Commodities

NOTE.—The items under each group, and the important individual commodities are arranged in this table according to the deviation from the 1936 annual average (100) for the combined index.

[Index numbers monthly average, 1926=100]

GROUP	INDEX		IMPORTANT INDIVIDUAL COMMODITY	INDEX	
	Annual average for 1936	Monthly average for December 1936		Annual average for 1936	Monthly average for December 1936
Combined index (784 commodities or price series).....	80.9	84.9	COMMODITIES ABOVE THE ANNUAL AVERAGE—CONTINUED		
Economic classes: <sup>1</sup>			Wool, Ohio 1/4 and 3/4 grades, medium, Boston.....	89.5	105.0
Finished products.....	82.0	81.8	Oats, no. 3 white, Chicago.....	88.9	101.7
Raw materials.....	79.9	85.6	Hides, cow, light, native, Chicago.....	87.7	103.1
Semi-manufactured articles.....	76.9	83.3	Sodium ash, light, 68 percent f. o. b., works.....	85.0	86.0
Food, farm products, etc.: <sup>1</sup>			Lumber, composite price.....	84.5	89.6
Foods.....	82.1	85.5	Flaxseed, no. 1, Minneapolis.....	83.4	94.7
Farm products.....	80.9	82.6	Sugar, raw, 98% centrifugal, New York.....	82.2	88.2
All commodities other than foods and farm products.....	79.0	82.3	Cottonseed oil, prime, New York.....	82.7	83.8
Principal groups: <sup>1</sup>			Rye, no. 2 cash, Chicago.....	81.5	120.4
Hides and leather.....	85.4	80.7	COMMODITIES BELOW THE ANNUAL AVERAGE		
Metals and metal products.....	87.0	80.6	Print cloth, 38 1/4 inch, factory.....	80.5	105.2
Building materials.....	84.7	81.5	Pork, fresh, composite price, Chicago.....	79.7	78.4
House furnishing goods.....	81.7	83.2	Hogs, light, good to choice, Chicago.....	79.2	77.3
Chemicals and drugs.....	80.4	85.2	Anthracite, chestnut, composite price.....	79.2	80.0
Fuel and lighting.....	78.3	79.5	Lead, prime, New York.....	76.3	80.1
Textile products.....	71.5	70.3	Wheat, no. 2 hard, winter, Kansas City.....	75.1	89.5
Miscellaneous.....	70.5	74.5	Butter, creamery, extra, 66 score, New York.....	74.3	77.1
IMPORTANT INDIVIDUAL COMMODITY			Tin, pig, New York.....	71.0	76.8
COMMODITIES ABOVE THE ANNUAL AVERAGE			Cotton, middling, New York.....	68.1	72.8
Barley, 1/2 to medium, Minneapolis.....	110.2	104.5	Copper, electrolytic, refinery.....	68.6	77.4
Corn, no. 3 mixed, Chicago.....	115.2	128.2	Glass, pig (chick), New York.....	68.6	73.0
Steel scrap, heavy, melting, Chicago.....	100.7	127.2	Glass, plate, polished, 3 to 6 square feet, New York.....	65.4	64.0
Glass, 1/2 to good, Chicago.....	85.3	117.6	Burlap, 10 1/2-catch, 40-inch, New York.....	58.9	58.9
Bar, steel, merchant, Pittsburgh.....	88.7	104.2	Forat, newspaper, rolls, destination.....	57.1	57.1
Portland cement, composite price.....	85.5	81.4	Lead, pig, New York.....	56.0	56.2
Beef, fresh, carcass, Chicago.....	82.7	102.0	Cocoa beans, Arriba, spot, New York.....	51.7	50.0
Paint, outside, white, flat, factory.....	82.0	92.0	Rolls, H grade, New York.....	50.0	50.0
			Coffee, Santos, no. 4, New York.....	41.5	50.0
			Rubber, crude, plantation, ribbed smoked sheets, New York.....	33.9	41.5
			Silk, raw, Japan, 75 percent double extra cruet, New York.....	24.4	31.8

<sup>1</sup> Each group constitutes the 784 commodities or price series.

SOURCE: U. S. Department of Labor, Bureau of Labor Statistics.

wages, etc. This movement engenders an improvement in the psychology of both business men and consumers which is reflected in a greater willingness to plan ahead and anticipate requirements.

#### Prices in Foreign Countries.

Changes in wholesale prices during 1936 varied considerably in the leading foreign countries, according to the available indexes. In some countries the movement of the indexes followed rather closely the movement of prices in the United States, but in others they were influenced materially by special factors, such as currency devaluation, official price regulation, and developments in the labor market. It should be noted, however, that foreign price indexes are not entirely comparable with each other nor with the comprehensive United States Bureau of Labor Statistics' index; hence, the variations between individual countries are not subject to precise measurement. In Belgium, Sweden, the United Kingdom, and most other countries where there were no changes in the currency basis, prices were firm but relatively stable until after the middle of the year, but there were moderate advances in the second half. Japan also might properly be classed in the foregoing group, except for a rather spectacular increase in prices during December which was attributed to the domestic political and financial situation.

In the former "gold bloc" countries, except France, price movements were similar to those in the foregoing

group until about the end of September, when the currencies were devalued. The dependence of such countries on imported goods was one of the factors causing a sharp increase in prices in the "gold bloc" countries during the fourth quarter, although the rise was checked to some extent by accompanying reductions of duties on basic commodities and by price-control measures intended to prevent undue advances.

The upward movement of prices in France was unique because of unusual domestic developments. Uncertainties regarding the impending elections caused some speculative advances during the first half of the year, though the movement was much less rapid than in the latter half year. The election period brought with it a series of "sit-in" strikes followed by general wage rises and the introduction of vacations with pay for laborers. The resultant increase in costs of production was followed by an increase in wholesale prices (11 percent between June and September) which was accentuated during the final quarter of the year by the devaluation of the franc at the end of September. The increase in the wholesale index between June and December reached 37 percent.

Price conditions in Germany were peculiar to that country because of the rigid Government controls exercised relative to prices, sales, and distribution of commodities. Furthermore, the price index does not make allowance for the altered quality of many products.

The current statistics on prices usually presented in a table on page 3 are presented in table 4.

Table 4.—Monthly Indexes of Commodity Prices

Year and month	Wholesale prices (Department of Labor)																	Cost of living (National Industrial Conference Board)	Farm prices, combined index, 47 commodities (Department of Agriculture)	Retail prices		
	Combined index, 784 commodity quotations	Economic classes			Groups and subgroups															Foods (Department of Labor)	Department-store articles (Fairbanks)	
		Finished products	Raw materials	Semi-manufactures	Farm products	Grains	Foods	Meats	Other than farm products and foods	Building materials	Chemicals and drugs	Fuel and lighting	Hides and leather	House-furnishing goods	Metals and metal products	Textile products	Miscellaneous					
Monthly average, 1926=100																			Mo. average, 1923-25=100	Mo. average, 1923-25=100	Mo. average, 1923-25=100	Dec. 1936 (Jan. 1, 1937=100)
1929: January.....	95.9	94.7	98.3	94.6	106.9	98.3	98.0	106.7	92.9	95.6	92.0	94.2	112.4	93.0	100.1	92.8	92.7	98.8	147	-----		
1930: January.....	92.5	92.1	94.0	90.2	101.0	98.8	97.8	103.2	89.5	94.0	91.0	91.7	105.1	93.0	97.1	93.7	91.3	95.7	145	-----		
1931: January.....	78.2	81.6	73.7	73.7	78.1	93.4	90.7	88.4	79.0	88.8	79.3	78.7	78.8	78.3	78.7	71.8	72.2	81.5	101	96.1		
1932: January.....	87.3	72.1	88.3	83.1	82.8	45.7	84.7	61.9	71.7	74.0	70.7	67.0	73.3	77.8	81.8	80.0	65.0	81.0	71	72.8		
1933: January.....	91.0	88.7	93.2	88.9	82.6	82.6	85.6	69.5	67.3	70.1	71.6	68.0	68.0	72.9	78.3	82.9	81.2	73.7	60	62.9		
1934: January.....	72.2	78.8	64.1	71.9	58.7	63.7	64.3	48.9	78.3	86.9	75.4	78.1	80.5	80.3	85.0	70.6	87.2	77.7	77	70.4		
1935: January.....	78.8	88.8	75.0	71.2	77.0	88.3	70.9	81.6	77.7	84.9	78.3	72.0	86.2	81.2	83.8	70.8	70.7	81.2	107	77.4		
1936: December.....	80.8	89.1	77.7	75.2	78.8	78.6	85.7	92.5	78.7	85.6	88.8	74.0	89.4	81.0	88.8	73.3	87.5	83.0	110	80.0		
1937: January.....	80.6	89.4	78.1	74.8	78.2	78.9	88.5	94.0	78.8	85.7	88.6	78.1	87.1	81.4	84.7	71.7	87.8	83.0	109	81.7		
February.....	80.6	82.2	78.1	74.0	79.5	78.3	83.2	92.1	78.5	85.5	89.1	88.1	88.1	81.5	88.7	71.0	88.1	83.0	109	80.0		
March.....	78.0	91.9	77.4	74.4	78.5	78.6	80.1	89.7	78.8	85.2	79.3	78.2	84.0	81.4	84.0	70.8	88.2	83.2	104	79.5		
April.....	79.7	81.6	77.0	74.5	78.9	78.9	80.2	91.0	78.0	85.7	78.6	78.4	84.0	81.5	83.0	70.2	88.6	83.4	106	70.7		
May.....	78.6	90.5	75.8	74.1	78.2	78.0	78.0	93.1	78.8	85.3	77.7	79.0	84.0	81.5	84.2	69.8	88.2	83.6	103	70.9		
June.....	78.2	90.7	77.8	72.9	78.1	78.0	80.1	88.1	78.5	85.8	78.0	78.1	83.8	81.4	84.2	69.7	89.7	83.1	107	82.8		
July.....	80.5	81.6	78.8	75.2	81.6	88.0	81.4	94.0	78.6	80.7	78.4	78.2	83.4	81.2	86.0	70.9	71.0	80.2	118	84.0		
August.....	81.6	82.4	81.8	78.0	83.8	102.4	83.1	98.4	72.7	80.9	80.8	78.1	84.8	80.7	87.1	70.9	71.5	85.0	124	84.0		
September.....	81.6	82.3	81.8	78.9	84.0	102.0	83.3	97.3	70.0	80.7	81.7	78.1	84.8	80.7	86.8	70.9	71.5	84.8	124	84.1		
October.....	81.5	82.0	82.1	78.3	84.0	102.1	82.6	96.4	80.1	87.8	82.6	78.4	85.0	82.0	86.9	71.0	71.5	85.7	121	82.8		
November.....	81.0	82.6	82.1	78.0	83.1	102.0	83.0	98.2	81.0	87.7	82.6	78.4	87.0	82.8	87.8	73.8	72.4	85.8	120	82.6		
December.....	84.2	83.8	88.0	82.3	89.0	103.0	85.8	97.2	82.2	86.0	84.3	78.5	80.7	83.2	89.0	74.3	74.5	88.1	126	82.0		
1937: January.....	84.3	84.5	88.0	85.1	91.3	113.0	87.1	98.6	84.4	91.3	97.7	78.0	101.7	88.6	90.0	74.2	78.2	89.3	131	84.4		

1 Middle of month.

2 Index is as of the 1st of the following month.